STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL

EXHIBIT 384

BUREAU OF WATER PROTECTION AND LAND REUSE
OFFICE OF THE BUREAU CHIEF

FEB 09 2010

February 4, 2010,

Mr. Paul Stancey
Department of Environmental Protection
Bureau of Water Protection and Land Reuse
Planning & Standards Division
79 Elm Street
Hartford, CT 06106-5127

Re: Proposed Stream Flow Standards and Regulations

Department of Public Utility Control Comments

Dear Mr. Stancey:

The Department of Public Utility Control (DPUC) remains neutral on the Department of Environmental Protection (DEP) draft Stream Flow Standards and Regulations as the question of preserving stream flow is generally not within the DPUC's purview. However, the DPUC is of the understanding that passage of these regulations would require the Investor Owned water utilities (Water Companies) regulated by the DPUC to make significant, but as yet not quantified, investments in plant and equipment. In this regard, the DPUC makes the following comment.

All Water Companies have multi year capital construction (mains, pumps, hydrants, meters, etc.) budget plans that are designed, in part, to reflect the Company's ability to raise capital, actually perform the work in the given time period, and avoid disruptive rate increases to customers.

On June 19, 2007, Public Act 07-139, An Act Concerning Water Company Infrastructure Projects (Act or Public Act), became Connecticut law. The intended purpose of the Act is to enable the acceleration of the rate of replacement and/or rehabilitation of existing water system infrastructure to mitigate the effect of decay of aging water systems and promote conservation measures. The Act ultimately resulted in the creation of a water infrastructure and conservation adjustment (WICA), for eligible projects completed and in service for the benefit of the water company's customers. Depending on what is learned as accelerated infrastructure replacement takes place, WICA could be a long term program.

WICA expressly provides for surcharges on customer bills to help finance the acceleration of infrastructure replacement. Three Water Companies have met the DPUC requirements for entry into the WICA program and more are expected to participate. WICA expenditures are intended to be above and beyond normal capital replacement. WICA has resulted in 0.5 to1.0 percent semiannual increases to water bills. By law, this surcharge can be as much as 5 percent for a 12 month period. In addition, Water Companies are and will be filing for rate increases to recover the cost of normal (non-WICA) capital construction and to adjust rates to account for any increases in expenses since their last rate proceeding.

With the addition of the stream flow regulations, there will be a third layer of capital construction for Water Companies (normal capital program, WICA, Stream Flow). The costs are for the purpose of providing utility service and are therefore entirely recoverable through the utility's rates if deemed prudently incurred. As such, the DPUC would merely like to note that a choice may need to be made amongst these initiatives if it is determined that the rate impact is too much for ratepayers to bear.

Best Regards,

Kevin M. DelGobbo
Chairman

John W. Betkoski
Vice Chairman